

110TH CONGRESS  
1ST SESSION

# S. 701

To amend the Internal Revenue Code of 1986 to impose a temporary oil profit fee and to use the proceeds of the fee collected to provide a Strategic Energy Fund and expand certain energy tax incentives, and for other purposes.

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## IN THE SENATE OF THE UNITED STATES

FEBRUARY 28, 2007

Mrs. CLINTON introduced the following bill; which was read twice and referred to the Committee on Finance

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## A BILL

To amend the Internal Revenue Code of 1986 to impose a temporary oil profit fee and to use the proceeds of the fee collected to provide a Strategic Energy Fund and expand certain energy tax incentives, and for other purposes.

1 *Be it enacted by the Senate and House of Representa-*  
2 *tives of the United States of America in Congress assembled,*

3 **SECTION 1. SHORT TITLE; TABLE OF CONTENTS.**

4 (a) IN GENERAL.—This Act may be cited as the  
5 “Strategic Energy Fund Act of 2007”.

6 (b) TABLE OF CONTENTS.—The table of contents for  
7 this Act is as follows:

Sec. 1. Short title; table of contents.

## TITLE I—STRATEGIC ENERGY FUND

### Subtitle A—Establishment of Strategic Energy Fund

Sec. 101. Strategic Energy Fund.

### Subtitle B—Incentives To Accelerate Biofuels Availability

- Sec. 111. Modification of alternative fuel vehicle refueling property credit.
- Sec. 112. Extension of biodiesel income and excise tax credits.
- Sec. 113. Extension of ethanol income and excise tax credits.
- Sec. 114. Small ethanol producer credit expanded for producers of sucrose and cellulosic ethanol.

### Subtitle C—Incentives To Deploy Fuel-Efficient Vehicles

- Sec. 121. Expansion of number of new qualified hybrid and advanced lean burn technology vehicles eligible for full alternative motor vehicle tax credit.
- Sec. 122. Advanced technology motor vehicles manufacturing credit.

### Subtitle D—Incentives for Clean Power

- Sec. 131. Extension and modification of production tax credit for electricity produced from certain renewable resources.
- Sec. 132. Extension and modification of investment tax credit with respect to solar energy property and qualified fuel cell property.
- Sec. 133. Credit for wind energy systems.
- Sec. 134. Extension and expansion of qualifying advanced coal project credit.
- Sec. 135. Geological disposal of global warming pollutants.

### Subtitle E—Incentives for Energy Efficient Buildings

- Sec. 141. Extension of energy efficient commercial buildings deduction.
- Sec. 142. Extension and expansion of new energy efficient home credit.

### Subtitle F—Clean Energy Research

- Sec. 151. Assistant Secretary for Advanced Energy Research, Technology Development, and Deployment.

## TITLE II—REALIGNING OIL COMPANY INCENTIVES

### Subtitle A—Excess Oil Profits

- Sec. 201. Temporary oil profit fee.

### Subtitle B—Energy Fairness for America

- Sec. 211. Elimination of deduction for intangible drilling and development costs for major oil companies.
- Sec. 212. Extension of election to expense certain refineries.
- Sec. 213. Elimination of amortization of geological and geophysical expenditures for major oil companies.
- Sec. 214. Modifications of foreign tax credit rules applicable to major oil companies which are dual capacity taxpayers.

Sec. 221. Price thresholds for royalty suspension provisions.

Sec. 222. Clarification of authority to impose price thresholds for certain lease sales.

Sec. 223. Eligibility for new leases and the transfer of leases; conservation of resources fees.

Sec. 224. Repeal of certain taxpayer subsidized royalty relief for the oil and gas industry.

Sec. 231. Reducing incentives to guzzle gas.

3       **Subtitle A—Establishment of**  
4       **Strategic Energy Fund**

(a) IN GENERAL.—Subchapter A of chapter 98 of the Internal Revenue Code of 1986 (relating to trust fund code) is amended by adding at the end the following new section:

“(a) ESTABLISHMENT.—There is established in the Treasury of the United States a trust fund to be known as the ‘Strategic Energy Fund’, consisting of such amounts as may be appropriated or credited to such Fund as provided in this section or section 9602(b).

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“(1) IN GENERAL.—There are hereby appropriated to the Strategic Energy Fund amounts equivalent to—

“(A) the fees received in the Treasury under section 5896, and

“(B) the revenues received in the Treasury resulting from the implementation of sections 221, 222, and 223 of the Strategic Energy Fund Act of 2007.

“(2) LIMITATION.—The aggregate amount appropriated under this subsection shall not exceed—

“(A) for purposes described in subsection (c)(1)(A)—

“(i) \$1,000,000,000 during fiscal year 2008, and

“(ii) \$2,000,000,000 during each of fiscal years 2009 through 2012,

“(B) for purposes described in subsection (c)(1)(B), a total of \$3,500,000,000 for the fiscal year period 2008 through 2017, and

“(C) for purposes described in subsection (c)(1)(C), \$2,500,000,000.

“(c) EXPENDITURES.—

1           “(1) IN GENERAL.—Amounts in the Strategic  
2       Energy Fund shall be available, without further ap-  
3       propriation, to carry out—

4           “(A) the purposes authorized under section  
5       151 of the Strategic Energy Fund Act of 2007,

6           “(B) projects under title XVII of the En-  
7       ergy Policy Act of 2005 that have a design ca-  
8       pacity to produce, in the aggregate,  
9       1,000,000,000 gallons of cellulosic biomass eth-  
10      anol, without regard to section 1510(l) of the  
11      Energy Policy Act of 2005 (42 U.S.C.  
12      16501(l)), and

13          “(C) the grants under section 701 of the  
14      Clean Air Act.

15          “(2) UNEXPENDED FUNDS.—Any funds that  
16      have not been expended by September 30, 2017,  
17      shall be credited back to the general fund as mis-  
18      cellaneous tax receipts.”.

19      (b) CLERICAL AMENDMENT.—The table of sections  
20      for such subchapter is amended by adding at the end the  
21      following new item:

“Sec. 9511. Strategic Energy Fund.”.

22      (c) EFFECTIVE DATE.—The amendments made by  
23      this section shall take effect on the date of the enactment  
24      of this Act.

1                   **Subtitle B—Incentives To**  
 2                   **Accelerate Biofuels Availability**

3   **SEC. 111. MODIFICATION OF ALTERNATIVE FUEL VEHICLE**  
 4                   **REFUELING PROPERTY CREDIT.**

5           (a) INCREASE IN CREDIT AMOUNT.—Section 30C of  
 6 the Internal Revenue Code of 1986 (relating to alternative  
 7 fuel vehicle refueling property credit) is amended—

8                   (1) by striking “30 percent” in subsection (a)  
 9                   and inserting “50 percent”, and

10                  (2) by striking “\$30,000” in subsection (b)(1)  
 11                  and inserting “\$50,000”.

12           (b) CREDIT ALLOWED FOR ELECTRIC DRIVE TRANS-  
 13 PORTATION PROPERTY.—Paragraph (1) of section 30C(c)  
 14 of the Internal Revenue Code of 1986 (relating to quali-  
 15 fied alternative fuel vehicle refueling property) is amended  
 16 by striking “, but only with respect to any fuel” and in-  
 17 serting “, except that in the case of property described  
 18 in paragraph (3)(A) thereof, only with respect to fuels”.

19           (c) EXTENSION OF CREDIT.—Subsection (g) section  
 20 30C of the Internal Revenue Code of 1986 (relating to  
 21 termination) is amended to read as follows:

22           “(g) TERMINATION OF AVAILABILITY OF CREDIT.—  
 23 This section shall not apply to property placed in service  
 24 after the earlier of December 31, 2015, or the date after

1 which more than 20,000 alternative refueling properties  
 2 have been installed through use of this credit.”.

3 (d) EFFECTIVE DATE.—The amendments made by  
 4 this section shall apply to property placed in service after  
 5 the date of the enactment of this Act, in taxable years  
 6 ending after such date.

7 **SEC. 112. EXTENSION OF BIODIESEL INCOME AND EXCISE**  
 8 **TAX CREDITS.**

9 (a) IN GENERAL.—Sections 40A(g), 6426(c)(6), and  
 10 6427(e)(5)(B) of the Internal Revenue Code of 1986 are  
 11 each amended by striking “December 31, 2008” and in-  
 12 serting “December 31, 2015”.

13 (b) EFFECTIVE DATE.—The amendments made by  
 14 this section shall take effect on January 1, 2009.

15 **SEC. 113. EXTENSION OF ETHANOL INCOME AND EXCISE**  
 16 **TAX CREDITS.**

17 (a) IN GENERAL.—Sections 40(e)(1)(A), 6426(b)(5),  
 18 and 6427(e)(5)(A) of the Internal Revenue Code of 1986  
 19 are each amended by striking “December 31, 2010” and  
 20 inserting “December 31, 2012”.

21 (b) CONFORMING AMENDMENT.—Section  
 22 40(e)(1)(B) of the Internal Revenue Code of 1986 is  
 23 amended by striking “January 1, 2011” and inserting  
 24 “January 1, 2013”.

1 (c) EFFECTIVE DATE.—The amendments made by  
 2 this section shall take effect on January 1, 2011.

3 **SEC. 114. SMALL ETHANOL PRODUCER CREDIT EXPANDED**  
 4 **FOR PRODUCERS OF SUCROSE AND CEL-**  
 5 **LULOSIC ETHANOL.**

6 (a) IN GENERAL.—Subparagraph (C) of section  
 7 40(b)(4) of the Internal Revenue Code of 1986 (relating  
 8 to small ethanol producer credit) is amended by inserting  
 9 “(30,000,000 gallons for any sucrose or cellulosic ethanol  
 10 producer)” after “15,000,000 gallons”.

11 (b) SUCROSE OR CELLULOSIC ETHANOL PRO-  
 12 DUCER.—Section 40(b)(4) of the Internal Revenue Code  
 13 of 1986 is amended by adding at the end the following  
 14 new subparagraph:

15 “(E) SUCROSE OR CELLULOSIC ETHANOL  
 16 PRODUCER.—

17 “(i) IN GENERAL.—For purposes of  
 18 this paragraph, the term ‘sucrose or cel-  
 19 lulosic ethanol producer’ means a producer  
 20 of ethanol using sucrose feedstock or a  
 21 producer of cellulosic biomass ethanol (as  
 22 defined in section 168(l)(3)).

23 “(ii) SUCROSE FEEDSTOCK.—For pur-  
 24 poses of clause (i), the term ‘sucrose feed-  
 25 stock’ means any raw sugar, refined sugar,



1 or sugar equivalents (including juice and  
 2 extract). Such term does not include any  
 3 molasses, beet thick juice, or other similar  
 4 products as determined by the Secretary.”.

5 (c) CONFORMING AMENDMENTS.—

6 (1) Section 40(g)(2) of the Internal Revenue  
 7 Code of 1986 is amended by striking “15,000,000  
 8 gallon limitation” and inserting “15,000,000 and  
 9 30,000,000 gallon limitations”.

10 (2) Section 40(g)(5)(B) of such Code is amend-  
 11 ed by striking “15,000,000 gallons” and inserting  
 12 “the gallon limitation under subsection (b)(4)(C)”.

13 (d) EFFECTIVE DATE.—The amendments made by  
 14 this section shall apply to taxable years beginning after  
 15 the date of the enactment of this Act.

## 16 **Subtitle C—Incentives To Deploy** 17 **Fuel-Efficient Vehicles**

### 18 **SEC. 121. EXPANSION OF NUMBER OF NEW QUALIFIED HY-** 19 **BRID AND ADVANCED LEAN BURN TECH-** 20 **NOLOGY VEHICLES ELIGIBLE FOR FULL AL-** 21 **TERNATIVE MOTOR VEHICLE TAX CREDIT.**

22 (a) IN GENERAL.—Paragraph (2) of section 30B(f)  
 23 of the Internal Revenue Code of 1986 (relating to phase-  
 24 out) is amended by striking “60,000” and inserting  
 25 “250,000”.

1 (b) EFFECTIVE DATE.—The amendment made by  
 2 this section shall take effect as if included in the amend-  
 3 ments made by section 1341(a) of the Energy Policy Act  
 4 of 2005.

5 **SEC. 122. ADVANCED TECHNOLOGY MOTOR VEHICLES MAN-**  
 6 **UFACTURING CREDIT.**

7 (a) IN GENERAL.—Subpart B of part IV of sub-  
 8 chapter A of chapter 1 of the Internal Revenue Code of  
 9 1986 (relating to foreign tax credit, etc.) is amended by  
 10 adding at the end the following new section:

11 **“SEC. 30D. ADVANCED TECHNOLOGY MOTOR VEHICLES**  
 12 **MANUFACTURING CREDIT.**

13 “(a) CREDIT ALLOWED.—There shall be allowed as  
 14 a credit against the tax imposed by this chapter for the  
 15 taxable year an amount equal to 35 percent of the quali-  
 16 fied investment of an eligible taxpayer for such taxable  
 17 year.

18 “(b) QUALIFIED INVESTMENT.—For purposes of this  
 19 section—

20 “(1) IN GENERAL.—The term ‘qualified invest-  
 21 ment’ means, with respect to any taxable year, the  
 22 sum of—

23 “(A) the costs paid or incurred by the eli-  
 24 gible taxpayer during such taxable year—

1 “(i) to re-equip, expand, or establish  
2 any manufacturing facility in the United  
3 States of the eligible taxpayer to produce  
4 advanced technology motor vehicles or to  
5 produce eligible components, and

6 “(ii) for qualified research (as defined  
7 in section 41(d)) related to advanced tech-  
8 nology motor vehicles and eligible compo-  
9 nents performed in the United States, and

10 “(B) qualified engineering integration  
11 costs performed in the United States.

12 “(2) ATTRIBUTION RULES.—For purposes of  
13 paragraph (1)(A)(i), in the case of a manufacturing  
14 facility of the eligible taxpayer which produces both  
15 advanced technology motor vehicles and other motor  
16 vehicles, or eligible components and other compo-  
17 nents, only the amount paid or incurred for the pro-  
18 duction of advanced technology motor vehicles and  
19 eligible components shall be taken into account.

20 “(c) ELIGIBLE TAXPAYER.—For purposes of this sec-  
21 tion—

22 “(1) IN GENERAL.—The term ‘eligible taxpayer’  
23 means—

24 “(A) any motor vehicle manufacturer if  
25 more than 50 percent of its gross receipts for

1 the taxable year is derived from the manufac-  
 2 ture of motor vehicles or any component parts  
 3 of such vehicles, and

4 “(B) any motor vehicle component parts  
 5 manufacturer if more than 20 percent of its  
 6 gross receipts for the taxable year is derived  
 7 from the manufacture of any component parts  
 8 of motor vehicles.

9 “(2) MOTOR VEHICLE MANUFACTURER.—The  
 10 term ‘motor vehicle manufacturer’ means any tax-  
 11 payer who manufactures motor vehicles.

12 “(3) MOTOR VEHICLE COMPONENT PARTS MAN-  
 13 UFACTURER.—The term ‘motor vehicle component  
 14 parts manufacturer’ means any taxpayer who manu-  
 15 factures motor vehicle component parts, but is not  
 16 a motor vehicle manufacturer.

17 “(d) DEFINITIONS.—For purposes of this section—

18 “(1) ADVANCED TECHNOLOGY MOTOR VEHI-  
 19 CLE.—The term ‘advanced technology motor vehicle’  
 20 means—

21 “(A) any new qualified fuel cell motor vehi-  
 22 cle (as defined in section 30B(b)(3));

23 “(B) any new advanced lean burn tech-  
 24 nology motor vehicle (as defined in section  
 25 30B(c)(3));

1 “(C) any new qualified hybrid motor vehi-  
 2 cle (as defined in section 30B(d)(3)(A) and de-  
 3 termined without regard to any gross vehicle  
 4 weight rating);

5 “(D) any new qualified alternative motor  
 6 fuel vehicle (as defined in section 30B(e)(4));

7 “(E) any plug-in hybrid electric vehicle;  
 8 and

9 “(F) any electric vehicle.

10 “(2) ELIGIBLE COMPONENTS.—The term ‘eligi-  
 11 ble component’ means any component inherent to  
 12 any advanced technology motor vehicle but not in-  
 13 herent to a motor vehicle which is not an advanced  
 14 technology motor vehicle, including—

15 “(A) with respect to any gasoline or diesel-  
 16 electric new qualified hybrid motor vehicle,  
 17 any—

18 “(i) electric motor or generator,

19 “(ii) power split device,

20 “(iii) power control unit,

21 “(iv) power controls,

22 “(v) integrated starter generator, or

23 “(vi) battery,

24 “(B) with respect to any hydraulic new  
 25 qualified hybrid motor vehicle, any—

1 “(i) accumulator or other energy stor-  
2 age device,

3 “(ii) hydraulic pump, or

4 “(iii) hydraulic pump-motor assembly,

5 “(iv) power control unit, or

6 “(v) power controls,

7 “(C) with respect to any new advanced  
8 lean burn technology motor vehicle, any—

9 “(i) diesel engine,

10 “(ii) turbocharger,

11 “(iii) fuel injection system, or

12 “(iv) after-treatment system, such as  
13 a particle filter or NO<sub>x</sub> absorber, and

14 “(D) with respect to any advanced tech-  
15 nology motor vehicle, any other component sub-  
16 mitted for approval by the Secretary.

17 “(3) MOTOR VEHICLE.—The term ‘motor vehi-  
18 cle’ has the meaning given such term by section  
19 30(c)(2).

20 “(4) PLUG-IN HYBRID ELECTRIC VEHICLE.—

21 “(A) IN GENERAL.—The term ‘plug-in hy-  
22 brid electric vehicle’ means a light-duty, me-  
23 dium-duty, or heavy-duty on-road or nonroad  
24 vehicle that is propelled by any combination  
25 of—

1 “(i) an electric motor and on-board,  
2 rechargeable energy storage system capable  
3 of operating the vehicle in intermittent or  
4 continuous all-electric mode and which is  
5 rechargeable using an off-board source of  
6 electricity, and

7 “(ii) an internal combustion engine or  
8 heat engine using any combustible fuel.

9 “(B) NONROAD VEHICLE.—The term  
10 ‘nonroad vehicle’ means a vehicle powered by a  
11 nonroad engine, as that term is defined in sec-  
12 tion 216 of the Clean Air Act (42 U.S.C.  
13 7550).

14 “(5) QUALIFIED ENGINEERING INTEGRATION  
15 COSTS.—For purposes of subsection (b)(1)(B), the  
16 term ‘qualified engineering integration costs’ means,  
17 with respect to any advanced technology motor vehi-  
18 cle, costs incurred prior to the market introduction  
19 of such motor vehicle for engineering tasks related  
20 to—

21 “(A) establishing functional, structural,  
22 and performance requirements for components  
23 and subsystems to meet overall vehicle objec-  
24 tives for a specific application,

1 “(B) designing interfaces for components  
 2 and subsystems with mating systems within a  
 3 specific vehicle application,

4 “(C) designing cost effective, efficient, and  
 5 reliable manufacturing processes to produce  
 6 components and subsystems for a specific vehi-  
 7 cle application, and

8 “(D) validating functionality and perform-  
 9 ance of components and subsystems for a spe-  
 10 cific vehicle application.

11 “(e) LIMITATION BASED ON AMOUNT OF TAX.—

12 “(1) IN GENERAL.—The credit allowed under  
 13 subsection (a) for any taxable year shall not exceed  
 14 the sum of—

15 “(A) the taxpayer’s regular tax liability (as  
 16 defined in section 26(b)) for the taxable year,  
 17 plus

18 “(B) the tax imposed under section 55 for  
 19 the taxable year.

20 “(2) CARRYOVER OF UNUSED CREDIT  
 21 AMOUNTS.—

22 “(A) IN GENERAL.—If the credit allowable  
 23 under subsection (a) for a taxable year exceeds  
 24 the limitation under paragraph (1) for such tax-  
 25 able year, such excess shall be allowed—



1                   “(i) as a credit carryback to each of  
 2                   the 13 taxable years preceding such year,  
 3                   and

4                   “(ii) as a credit carryforward to each  
 5                   of the 20 taxable years following such year.

6                   “(B) AMOUNT CARRIED TO EACH YEAR.—

7                   For purposes of this paragraph, rules similar to  
 8                   the rules of section 39(a)(2) shall apply.

9                   “(f) SPECIAL RULES.—

10                  “(1) REDUCTION IN BASIS.—For purposes of  
 11                  this subtitle, if a credit is allowed under this section  
 12                  for any expenditure with respect to any property, the  
 13                  increase in the basis of such property which would  
 14                  (but for this paragraph) result from such expendi-  
 15                  ture shall be reduced by the amount of the credit so  
 16                  allowed.

17                  “(2) INVESTMENTS AND PROPERTY OUTSIDE  
 18                  THE UNITED STATES.—No credit shall be allowed  
 19                  under subsection (a) with respect to—

20                         “(A) any manufacturing facility which is  
 21                         located outside the United States, and

22                         “(B) any engineering integration or re-  
 23                         search and development conducted outside the  
 24                         United States.

1           “(3) AGGREGATION OF EXPENDITURES; ALLO-  
 2           CATIONS.—For purposes of this section, rules simi-  
 3           lar to the rules of paragraphs (1) and (2) of section  
 4           41(f) shall apply.

5           “(4) RECAPTURE.—The Secretary shall, by reg-  
 6           ulation, provide for recapturing the benefit of any  
 7           credit allowable under subsection (a) with respect to  
 8           any manufacturing facility which ceases to produce  
 9           advanced technology motor vehicles or eligible com-  
 10          ponents.

11          “(5) PUBLIC STATEMENT.—

12           “(A) IN GENERAL.—No credit shall be al-  
 13           lowed under subsection (a) for any taxable year  
 14           unless the eligible taxpayer makes publicly  
 15           available a statement describing the activities of  
 16           the eligible taxpayer for which the credit is al-  
 17           lowed and the public benefits of such activities,  
 18           including the estimated amount of any reduc-  
 19           tion in national oil consumption in future years  
 20           as a result of such activities.

21           “(B) TIME FOR PUBLICATION.—The state-  
 22           ment required under subparagraph (A) shall be  
 23           made available not later than 90 days after the  
 24           end of the taxable year for which the credit

1 under subsection (a) is allowed and shall be in  
2 such form as the Secretary shall prescribe.

3 “(6) NO DOUBLE BENEFIT.—

4 “(A) COORDINATION WITH OTHER DEDUC-  
5 TIONS AND CREDITS.—Except as provided in  
6 subparagraph (B), the amount of any deduction  
7 or other credit allowable under this chapter for  
8 any cost taken into account in determining the  
9 amount of the credit under subsection (a) shall  
10 be reduced by the amount of such credit attrib-  
11 utable to such cost.

12 “(B) RESEARCH AND DEVELOPMENT  
13 COSTS.—

14 “(i) IN GENERAL.—Except as pro-  
15 vided in clause (ii), any amount described  
16 in subsection (b)(1)(A)(ii) taken into ac-  
17 count in determining the amount of the  
18 credit under subsection (a) for any taxable  
19 year shall not be taken into account for  
20 purposes of determining the credit under  
21 section 41 for such taxable year.

22 “(ii) COSTS TAKEN INTO ACCOUNT IN  
23 DETERMINING BASE PERIOD RESEARCH  
24 EXPENSES.—Any amounts described in  
25 subsection (b)(1)(A)(ii) taken into account

1           in determining the amount of the credit  
2           under subsection (a) for any taxable year  
3           which are qualified research expenses  
4           (within the meaning of section 41(b)) shall  
5           be taken into account in determining base  
6           period research expenses for purposes of  
7           applying section 41 to subsequent taxable  
8           years.

9       “(g) ELECTION NOT TO TAKE CREDIT.—No credit  
10   shall be allowed under subsection (a) for any property if  
11   the taxpayer elects not to have this section apply to such  
12   property.

13       “(h) REGULATIONS.—The Secretary shall prescribe  
14   such regulations as necessary to carry out the provisions  
15   of this section.”.

16       (b) CONFORMING AMENDMENTS.—

17           (1) Section 1016(a) of the Internal Revenue  
18       Code of 1986, as amended by this Act, is amended  
19       by striking “and” at the end of paragraph (37), by  
20       striking the period at the end of paragraph (38) and  
21       inserting “, and”, and by adding at the end the fol-  
22       lowing new paragraph:

23           “(39) to the extent provided in section  
24       30D(f)(1).”.

1           (2) Section 6501(m) of such Code is amended  
2           by inserting “30D(g),” after “30C(e)(5),”.

3           (3) The table of sections for subpart B of part  
4           IV of subchapter A of chapter 1 of such Code is  
5           amended by inserting after the item relating to sec-  
6           tion 30C the following new item:

“Sec. 30D. Advanced technology motor vehicles manufacturing credit.”.

7           (c) EFFECTIVE DATE.—The amendments made by  
8           this section shall apply to amounts incurred in taxable  
9           years beginning after December 31, 1993.

## 10       **Subtitle D—Incentives for Clean** 11       **Power**

### 12       **SEC. 131. EXTENSION AND MODIFICATION OF PRODUCTION** 13       **TAX CREDIT FOR ELECTRICITY PRODUCED** 14       **FROM CERTAIN RENEWABLE RESOURCES.**

15           Section 45(d) of the Internal Revenue Code of 1986  
16           (relating to qualified facilities) is amended by striking  
17           “January 1, 2009” each place it appears and inserting  
18           “January 1, 2014”.

### 19       **SEC. 132. EXTENSION AND MODIFICATION OF INVESTMENT** 20       **TAX CREDIT WITH RESPECT TO SOLAR EN-** 21       **ERGY PROPERTY AND QUALIFIED FUEL CELL** 22       **PROPERTY.**

23           (a) SOLAR ENERGY PROPERTY.—Paragraphs  
24           (2)(A)(i)(II) and (3)(A)(ii) of section 48(a) of the Internal

1 Revenue Code of 1986 are each amended by striking  
 2 “January 1, 2009” and inserting “January 1, 2015”.

3 (b) ELIGIBLE FUEL CELL PROPERTY.—Paragraph  
 4 (1)(E) of section 48(c) of the Internal Revenue Code of  
 5 1986 is amended by striking “December 31, 2007” and  
 6 inserting “December 31, 2015”.

7 (c) CREDITS ALLOWED AGAINST THE ALTERNATIVE  
 8 MINIMUM TAX.—

9 (1) IN GENERAL.—Section 38(c)(4)(B) of the  
 10 Internal Revenue Code of 1986 (defining specified  
 11 credits), as amended by this Act, is amended by  
 12 striking the period at the end of clause (iii) and in-  
 13 serting “, and,” and by adding at the end the fol-  
 14 lowing new clause:

15 “(iv) the portion of the investment  
 16 credit under section 46(2) as determined  
 17 under section 48(a)(2)(A)(i).”.

18 (2) EFFECTIVE DATE.—The amendments made  
 19 by this subsection shall apply to taxable years begin-  
 20 ning after December 31, 2006.

21 (d) SOLAR INVESTMENT CREDIT ALLOWED FOR  
 22 PUBLIC UTILITY PROPERTY.—

23 (1) IN GENERAL.—The second sentence of sec-  
 24 tion 48(a)(3) of the Internal Revenue Code of 1986  
 25 is amended by inserting “(other than property de-

1 scribed in clause (i) or (ii) of subparagraph (A))”  
 2 before “shall not”.

3 (2) EFFECTIVE DATE.—The amendments made  
 4 by this subsection shall apply to periods after the  
 5 date of the enactment of this Act, in taxable years  
 6 ending after such date, under rules similar to the  
 7 rules of section 48(m) of the Internal Revenue Code  
 8 of 1986 (as in effect on the day before the date of  
 9 the enactment of the Revenue Reconciliation Act of  
 10 1990).

11 **SEC. 133. CREDIT FOR WIND ENERGY SYSTEMS.**

12 (a) RESIDENTIAL.—

13 (1) IN GENERAL.—Section 25D(a) of the Inter-  
 14 nal Revenue Code of 1986 is amended by striking  
 15 “and” at the end of paragraph (2), by striking the  
 16 period at the end of paragraph (3) and inserting “,  
 17 and”, and by adding at the end the following new  
 18 paragraph:

19 “(4) 30 percent of the qualified small wind en-  
 20 ergy property expenditures made by the taxpayer  
 21 during such year.”.

22 (2) LIMITATION.—Section 25D(b)(1) of the In-  
 23 ternal Revenue Code of 1986 is amended by striking  
 24 “and” at the end of subparagraph (B), by striking  
 25 the period at the end of subparagraph (A) and in-

serting “, and”, and by adding at the end the following new subparagraph:

“(D) \$500 with respect to each half kilowatt of capacity (not to exceed \$2,000) of qualifying wind turbines for which qualified small wind energy property expenditures are made.”.

(3) QUALIFIED SMALL WIND ENERGY PROPERTY EXPENDITURES.—Section 25D(d) of the Internal Revenue Code of 1986 is amended by adding at the end the following new paragraph:

“(4) QUALIFIED SMALL WIND ENERGY PROPERTY EXPENDITURE.—

“(A) IN GENERAL.—The term ‘qualified wind energy property expenditure’ means an expenditure for property which uses a qualifying wind turbine to generate electricity for use in connection with a dwelling unit located in the United States and used as a residence by the taxpayer.

“(B) QUALIFYING WIND TURBINE.—The term ‘qualifying wind turbine’ means a wind turbine of 100 kilowatts of rated capacity or less which meets the latest performance rating standards published by the American Wind En-



1           ergy Association and which is used to generate  
 2           electricity and carries at least a 5-year limited  
 3           warranty covering defects in design, material,  
 4           or workmanship, and, for property that is not  
 5           installed by the taxpayer, at least a 5-year lim-  
 6           ited warranty covering defects in installation.”.

7           (b) BUSINESS.—Section 48(a)(3)(A) of the Internal  
 8   Revenue Code of 1986 (defining energy property) is  
 9   amended by striking “or” at the end of clause (iii), by  
 10   adding “or” at the end of clause (iv), and by inserting  
 11   after clause (iv) the following new clause:

12                           “(v) qualifying wind turbine (as de-  
 13                           fined in section 25D(d)(B)),”.

14           (c) EFFECTIVE DATE.—The amendments made by  
 15   this section shall apply to property placed in service after  
 16   the date of the enactment of this Act, in taxable years  
 17   ending after such date.

18   **SEC. 134. EXTENSION AND EXPANSION OF QUALIFYING AD-**  
 19                           **VANCED COAL PROJECT CREDIT.**

20           (a) EXPANDING AGGREGATE CREDITS.—Section  
 21   48A(d)(3)(A) of the Internal Revenue Code of 1986 (relat-  
 22   ing to aggregate credits) is amended by striking  
 23   “\$1,300,000,000” and inserting “\$2,300,000,000”.

24           (b) AUTHORIZATION OF ADDITIONAL PROJECTS.—  
 25   Subparagraph (B) of section 48A(d)(3) of the Internal

1 Revenue Code of 1986 (relating to aggregate credits) is  
 2 amended to read as follows:

3 “(B) PARTICULAR PROJECTS.—Of the dol-  
 4 lar amount in subparagraph (A), the Secretary  
 5 is authorized to certify—

6 “(i) \$800,000,000 for integrated gas-  
 7 ification combined cycle projects the appli-  
 8 cation for which is submitted during the  
 9 period described in paragraph (2)(A)(i),

10 “(ii) \$500,000,000 for projects which  
 11 use other advanced coal-based generation  
 12 technologies the application for which is  
 13 submitted during the period described in  
 14 paragraph (2)(A)(i), and

15 “(iii) \$1,000,000,000 for integrated  
 16 gasification combined cycle projects and  
 17 other advanced coal-based generation tech-  
 18 nology projects that include equipment to  
 19 separate and sequester a significant frac-  
 20 tion of such a project’s carbon dioxide  
 21 emissions the application for which is sub-  
 22 mitted during the period described in para-  
 23 graph (2)(A)(ii).”.

24 (c) APPLICATION PERIOD FOR ADDITIONAL  
 25 PROJECTS.—Subparagraph (A) of section 48A(d)(2) of

1 the Internal Revenue Code of 1986 (relating to certifi-  
2 cation) is amended to read as follows:

3 “(A) APPLICATION PERIOD.—Each appli-  
4 cant for certification under this paragraph shall  
5 submit an application meeting the requirements  
6 of subparagraph (B). An applicant may only  
7 submit an application—

8 “(i) for an allocation from the dollar  
9 amount specified in clause (i) or (ii) of  
10 paragraph (3)(A) during the 3-year period  
11 beginning on the date the Secretary estab-  
12 lishes the program under paragraph (1),  
13 and

14 “(ii) for an allocation from the dollar  
15 amount specified in paragraph (3)(A)(iii)  
16 during the 3-year period beginning at the  
17 earlier of the termination of the period de-  
18 scribed in clause (i) or the date prescribed  
19 by the Secretary.”.

20 (d) EFFECTIVE DATE.—The amendments made by  
21 this section shall take effect as if included in the amend-  
22 ments made by section 1307 of the Energy Policy Act of  
23 2005.

1 **SEC. 135. GEOLOGICAL DISPOSAL OF GLOBAL WARMING**  
 2 **POLLUTANTS.**

3 The Clean Air Act (42 U.S.C. 7401 et seq.) is amend-  
 4 ed by adding at the end the following:

5 **“TITLE VII—GEOLOGICAL DIS-**  
 6 **POSAL OF GLOBAL WARMING**  
 7 **POLLUTANTS**

8 **“SEC. 701. GEOLOGICAL DISPOSAL OF GLOBAL WARMING**  
 9 **POLLUTANTS.**

10 “(a) GEOLOGICAL CARBON DIOXIDE DISPOSAL DE-  
 11 PLOYMENT PROJECTS.—

12 “(1) IN GENERAL.—The Administrator shall es-  
 13 tablish a competitive grant program to provide  
 14 grants to 5 entities for the deployment of projects to  
 15 geologically dispose of carbon dioxide (referred to in  
 16 this subsection as ‘geological disposal deployment  
 17 projects’), including through the use of equipment to  
 18 separate, pressurize, transport, and sequester carbon  
 19 dioxide.

20 “(2) LOCATION.—Each geological disposal de-  
 21 ployment project shall be conducted in a geologically  
 22 distinct location in order to demonstrate the suit-  
 23 ability of a variety of geological structures for car-  
 24 bon dioxide disposal.

25 “(3) COMPONENTS.—Each geological disposal  
 26 deployment project shall include an analysis of—

1           “(A) mechanisms for trapping the carbon  
2 dioxide to be geologically disposed;

3           “(B) techniques for monitoring the geologi-  
4 cally disposed carbon dioxide;

5           “(C) public response to the geological dis-  
6 posal deployment project; and

7           “(D) the permanency of carbon dioxide  
8 storage in geological reservoirs.

9           “(4) REQUIREMENTS.—

10           “(A) IN GENERAL.—The Administrator  
11 shall establish—

12           “(i) appropriate conditions for envi-  
13 ronmental protection with respect to geo-  
14 logical disposal deployment projects to pro-  
15 tect public health and the environment;  
16 and

17           “(ii) requirements relating to applica-  
18 tions for grants under this subsection.

19           “(B) RULEMAKING.—The establishment of  
20 requirements under subparagraph (A) shall not  
21 require a rulemaking.

22           “(C) MINIMUM REQUIREMENTS.—At a  
23 minimum, each application for a grant under  
24 this subsection shall include—

1 “(i) a description of the geological dis-  
 2 posal deployment project proposed in the  
 3 application;

4 “(ii) an estimate of the quantity of  
 5 carbon dioxide to be geologically disposed  
 6 over the life of the geological disposal de-  
 7 ployment project; and

8 “(iii) a plan to collect and disseminate  
 9 data relating to each geological disposal  
 10 deployment project to be funded by the  
 11 grant.

12 “(5) PARTNERS.—An applicant for a grant  
 13 under this subsection may carry out a geological dis-  
 14 posal deployment project under a pilot program in  
 15 partnership with 1 or more public or private entities.

16 “(6) SELECTION CRITERIA.—In evaluating ap-  
 17 plications under this subsection, the Administrator  
 18 shall—

19 “(A) consider the previous experience of  
 20 each applicant with similar projects; and

21 “(B) give priority consideration to applica-  
 22 tions for geological disposal deployment projects  
 23 that—

1 “(i) offer the greatest geological diver-  
2 sity from other projects that have pre-  
3 viously been approved;

4 “(ii) are located in closest proximity  
5 to a source of carbon dioxide;

6 “(iii) make use of the most affordable  
7 source of carbon dioxide;

8 “(iv) are expected to geologically dis-  
9 pose of the largest quantity of carbon diox-  
10 ide;

11 “(v) are combined with demonstra-  
12 tions of advanced coal electricity genera-  
13 tion technologies;

14 “(vi) demonstrate the greatest com-  
15 mitment on the part of the applicant to en-  
16 sure funding for the proposed demonstra-  
17 tion project and the greatest likelihood  
18 that the demonstration project will be  
19 maintained or expanded after Federal as-  
20 sistance under this subsection is com-  
21 pleted; and

22 “(vii) minimize any adverse environ-  
23 mental effects from the project.

24 “(7) PERIOD OF GRANTS.—

1           “(A) IN GENERAL.—A geological disposal  
 2           deployment project funded by a grant under  
 3           this subsection shall begin construction not  
 4           later than 3 years after the date on which the  
 5           grant is provided.

6           “(B) TERM.—The Administrator shall not  
 7           provide grant funds to any applicant under this  
 8           subsection for a period of more than 5 years.

9           “(8) TRANSFER OF INFORMATION AND KNOWL-  
 10          EDGE.—The Administrator shall establish mecha-  
 11          nisms to ensure that the information and knowledge  
 12          gained by participants in the program under this  
 13          subsection are published and disseminated, including  
 14          to other applicants that submitted applications for a  
 15          grant under this subsection.

16          “(9) SCHEDULE.—

17               “(A) PUBLICATION.—Not later than 180  
 18               days after the date of enactment of this title,  
 19               the Administrator shall publish in the Federal  
 20               Register, and elsewhere as appropriate, a re-  
 21               quest for applications to carry out geological  
 22               disposal deployment projects.

23               “(B) DATE FOR APPLICATIONS.—An appli-  
 24               cation for a grant under this subsection shall be  
 25               submitted not later than 180 days after the



1 date of publication of the request under sub-  
 2 paragraph (A).

3 “(C) SELECTION.—After the date by which  
 4 applications for grants are required to be sub-  
 5 mitted under subparagraph (B), the Adminis-  
 6 trator, in a timely manner, shall select, after  
 7 peer review and based on the criteria under  
 8 paragraph (6), those geological disposal deploy-  
 9 ment projects to be provided a grant under this  
 10 subsection.

11 “(b) INTERIM STANDARDS.—Not later than 3 years  
 12 after the date of enactment of this title, the Administrator,  
 13 in consultation with the Secretary of Energy, shall, by reg-  
 14 ulation, establish interim geological carbon dioxide dis-  
 15 posal standards that address—

16 “(1) site selection;

17 “(2) permitting processes;

18 “(3) monitoring requirements;

19 “(4) public participation; and

20 “(5) such other issues as the Administrator and  
 21 the Secretary of Energy determine to be appro-  
 22 priate.

23 “(c) FINAL STANDARDS.—Not later than 6 years  
 24 after the date of enactment of this title, taking into ac-  
 25 count the results of geological disposal deployment

1 projects carried out under subsection (a), the Adminis-  
 2 trator shall, by regulation, establish final geological carbon  
 3 dioxide disposal standards.

4 “(d) CONSIDERATIONS.—In developing standards  
 5 under subsections (b) and (c), the Administrator shall con-  
 6 sider the experience in the United States in regulating—

7 “(1) underground injection of waste;

8 “(2) enhanced oil recovery;

9 “(3) short-term storage of natural gas; and

10 “(4) long-term waste storage.

11 “(e) TERMINATION OF AUTHORITY.—This section  
 12 and the authority provided by this section terminate on  
 13 December 31, 2030.”.

## 14 **Subtitle E—Incentives for Energy** 15 **Efficient Buildings**

### 16 **SEC. 141. EXTENSION OF ENERGY EFFICIENT COMMERCIAL** 17 **BUILDINGS DEDUCTION.**

18 Section 179D(h) of the Internal Revenue Code of  
 19 1986 (relating to termination) is amended by striking  
 20 “December 31, 2008” and inserting “December 31,  
 21 2015”.

### 22 **SEC. 142. EXTENSION AND EXPANSION OF NEW ENERGY EF-** 23 **FICIENT HOME CREDIT.**

24 (a) EXTENSION.—Section 45L(g) of the Internal  
 25 Revenue Code of 1986 (relating to termination) is amend-

1 ed by striking “December 31, 2008” and inserting “De-  
2 cember 31, 2015”.

3 (b) INCLUSION OF 30 PERCENT HOMES.—

4 (1) IN GENERAL.—Section 45L(c) of the Inter-  
5 nal Revenue Code of 1986 (relating to energy saving  
6 requirements) is amended—

7 (A) by striking “or” at the end of para-  
8 graph (2);

9 (B) by redesignating paragraph (3) as  
10 paragraph (4); and

11 (C) by inserting after paragraph (2) the  
12 following new paragraph:

13 “(3) certified—

14 “(A) to have a level of annual heating and  
15 cooling energy consumption which is at least 30  
16 percent below the annual level described in  
17 paragraph (1), and

18 “(B) to have building envelope component  
19 improvements account for at least 1/3 of such  
20 30 percent, or.”.

21 (2) APPLICABLE AMOUNT OF CREDIT.—Section  
22 45L(a)(2) is amended by striking “paragraph (3)”  
23 and inserting “paragraph (3) or (4)”.

24 (3) EFFECTIVE DATE.—The amendments made  
25 by this subsection shall apply to qualified new en-

1        energy efficient homes acquired after the date of the  
2        enactment of this Act.

### 3    **Subtitle F—Clean Energy Research**

#### 4    **SEC. 151. ASSISTANT SECRETARY FOR ADVANCED ENERGY** 5                    **RESEARCH, TECHNOLOGY DEVELOPMENT,** 6                    **AND DEPLOYMENT.**

7        (a) ESTABLISHMENT.—

8            (1) IN GENERAL.—The Secretary of Energy  
9        shall establish in the Department of Energy the po-  
10       sition of Assistant Secretary for Advanced Energy  
11       Research, Technology Development, and Deployment  
12       (referred to in this section as the “Assistant Sec-  
13       retary”), to be headed by, and to report to, the Sec-  
14       retary.

15            (2) QUALIFICATIONS.—The Assistant Secretary  
16       shall be an individual with—

17            (A) an advanced education degree in en-  
18       ergy technology; and

19            (B) substantial commercial research and  
20       technology development and deployment experi-  
21       ence.

22        (b) MISSION.—The mission of the Assistant Sec-  
23       retary is—

1           (1) to implement an innovative energy research,  
2           technology development, and deployment program  
3           to—

4                   (A) increase national security by signifi-  
5                   cantly reducing petroleum and imported fuels  
6                   consumption;

7                   (B) significantly improve the efficiency of  
8                   electricity use and the reliability of the elec-  
9                   tricity system; and

10                  (C) significantly reduce greenhouse gas  
11                  emissions; and

12           (2) to sponsor a diverse portfolio of cutting-  
13           edge, high-payoff research, development, and deploy-  
14           ment projects to carry out the program.

15           (c) EXPERIMENTAL PERSONNEL AUTHORITY.—The  
16   Assistant Secretary may staff the office of the Assistant  
17   Secretary primarily using a program of experimental use  
18   of special personnel management authority in order to fa-  
19   cilitate recruitment of eminent experts in science or engi-  
20   neering for management of research and development  
21   projects and programs administered by the Assistant Sec-  
22   retary under similar terms and conditions as the authority  
23   is exercised under section 1101 of the Strom Thurmond  
24   National Defense Authorization Act for Fiscal Year 1999

1 (Public Law 105–261; 5 U.S.C. 3104 note), as determined  
2 by the Assistant Secretary.

3 (d) TRANSACTIONS OTHER THAN CONTRACTS AND  
4 GRANTS.—To carry out projects under this section, the  
5 Assistant Secretary may enter into transactions to carry  
6 out advanced research projects under this subsection  
7 under similar terms and conditions as the authority is ex-  
8 ercised under section 646(g) of the Department of Energy  
9 Organization Act (42 U.S.C. 7256(g)).

10 (e) PRIZES FOR ADVANCED TECHNOLOGY ACHIEVE-  
11 MENTS.—

12 (1) IN GENERAL.—Subject to paragraphs (2)  
13 through (4), the Assistant Secretary may carry out  
14 a program to award cash prizes in recognition of  
15 outstanding achievements in basic, advanced, and  
16 applied research, technology development, and proto-  
17 type development that have the potential to advance  
18 the mission described in subsection (b) under similar  
19 terms and conditions as the authority is exercised  
20 under section 1008 of the Energy Policy Act of  
21 2005 (42 U.S.C. 16396).

22 (2) COMPETITION REQUIREMENTS.—In car-  
23 rying out this subsection, the Assistant Secretary  
24 shall—

1 (A) use a competitive process for the selec-  
 2 tion of recipients of cash prizes; and

3 (B) conduct widely-advertised solicitation  
 4 of submissions of research results, technology  
 5 developments, and prototypes.

6 (3) MAXIMUM AMOUNT FOR ALL CASH  
 7 PRIZES.—The total amount of all cash prizes award-  
 8 ed for a fiscal year under this subsection may not  
 9 exceed \$50,000,000.

10 (4) MAXIMUM AMOUNT OF INDIVIDUAL CASH  
 11 PRIZES.—The amount of an individual cash prize  
 12 awarded under this subsection may not exceed  
 13 \$10,000,000 unless the amount of the award is ap-  
 14 proved by the Secretary of Energy.

15 (f) COMMERCIALIZATION OF CELLULOSIC BIOMASS  
 16 ETHANOL.—Of the amounts that are made available to  
 17 carry out this section, the Assistant Secretary shall use  
 18 not less than \$2,000,000,000 to conduct research and de-  
 19 velopment to increase yields, reduce production costs, and  
 20 take other steps to accelerate the commercialization of cel-  
 21 lulosic biomass ethanol (as defined in section 211(o)(1)  
 22 of the Clean Air Act (42 U.S.C. 7545(o)(1))).

23 (g) ADVANCED AUTOMOTIVE BATTERY RESEARCH.—  
 24 Of the amounts that are made available to carry out this  
 25 section, the Assistant Secretary shall use not less than

1 \$500,000,000 to conduct research and development on ad-  
2 vanced battery technology for use in hybrid-electric vehi-  
3 cles.

4 (h) ANNUAL REPORTS.—As soon as practicable after  
5 the end of each fiscal year for which the Assistant Sec-  
6 retary receives funds under subsection (i), the Assistant  
7 Secretary shall submit to the Committee on Energy and  
8 Natural Resources of the Senate and the Committee on  
9 Energy and Commerce, and the Committee on Science, of  
10 the House of Representatives a report on the progress,  
11 challenges, future milestones, and strategic plan of the As-  
12 sistant Secretary, including—

13 (1) a description of, and rationale for, any  
14 changes in the strategic plan;

15 (2) the adequacy of human and financial re-  
16 sources necessary to achieve the mission described in  
17 subsection (b); and

18 (3) in the case of cash prizes awarded under  
19 subsection (e), a description of—

20 (A) the applications of the research, tech-  
21 nology, or prototypes for which prizes were  
22 awarded;

23 (B) the total amount of the prizes that  
24 were awarded;



1 (C) the methods used for solicitation and  
 2 evaluation of submissions and an assessment of  
 3 the effectiveness of those methods; and

4 (D) recommendations to improve the prize  
 5 program.

6 (i) RELATIONSHIP TO OTHER AUTHORITY.—The  
 7 program under this section may be carried out in conjunc-  
 8 tion with, or in addition to, the exercise of any other au-  
 9 thority of the Assistant Secretary to acquire, support, or  
 10 stimulate basic, advanced, and applied research, tech-  
 11 nology development, or prototype projects.

12 **TITLE II—REALIGNING OIL**  
 13 **COMPANY INCENTIVES**  
 14 **Subtitle A—Excess Oil Profits**

15 **SEC. 201. TEMPORARY OIL PROFIT FEE.**

16 (a) IN GENERAL.—Subtitle E of the Internal Rev-  
 17 enue Code of 1986 (relating to alcohol, tobacco, and cer-  
 18 tain other excise taxes) is amended by adding at the end  
 19 the following new chapter:

20 **“CHAPTER 56—TEMPORARY FEE ON**  
 21 **EXCESS OIL PROFIT**

“Sec. 5896. Imposition of fee.

“Sec. 5897. Excess profit; etc.

“Sec. 5898. Special rules and definitions.

22 **“SEC. 5896. IMPOSITION OF FEE.**

23 “(a) IN GENERAL.—In addition to any other tax im-  
 24 posed under this title, there is hereby imposed on any ap-

1 plicable taxpayer an excise fee in an amount equal to 50  
 2 percent of the excess profit of such taxpayer for any tax-  
 3 able year beginning during 2007 or 2008.

4 “(b) APPLICABLE TAXPAYER.—For purposes of this  
 5 chapter, the term ‘applicable taxpayer’ means, with re-  
 6 spect to operations in the United States—

7 “(1) any integrated oil company (as defined in  
 8 section 291(b)(4)), and

9 “(2) any other producer or refiner of crude oil  
 10 with gross receipts from the sale of such crude oil  
 11 or refined oil products for the taxable year exceeding  
 12 \$100,000,000.

13 **“SEC. 5897. EXCESS PROFIT; ETC.**

14 “(a) GENERAL RULE.—For purposes of this chapter,  
 15 the term ‘excess profit’ means the excess of the adjusted  
 16 taxable income of the applicable taxpayer for the taxable  
 17 year over the reasonably inflated average profit for such  
 18 taxable year.

19 “(b) ADJUSTED TAXABLE INCOME.—For purposes of  
 20 this chapter, with respect to any applicable taxpayer, the  
 21 adjusted taxable income for any taxable year is equal to  
 22 the taxable income for such taxable year (within the mean-  
 23 ing of section 63 and determined without regard to this  
 24 subsection)—

1           “(1) increased by any interest expense deduc-  
2           tion, charitable contribution deduction, and any net  
3           operating loss deduction carried forward from any  
4           prior taxable year, and

5           “(2) reduced by—

6                   “(A) any interest income, dividend income,  
7                   and net operating losses to the extent such  
8                   losses exceed taxable income for the taxable  
9                   year, and

10                   “(B) any qualified domestic energy invest-  
11                   ment for such taxable year.

12 In the case of any applicable taxpayer which is a foreign  
13 corporation, the adjusted taxable income shall be deter-  
14 mined with respect to such income which is effectively con-  
15 nected with the conduct of a trade or business in the  
16 United States.

17           “(c) REASONABLY INFLATED AVERAGE PROFIT.—

18 For purposes of this chapter, with respect to any applica-  
19 ble taxpayer, the reasonably inflated average profit for any  
20 taxable year is an amount equal to the average of the ad-  
21 justed taxable income of such taxpayer for taxable years  
22 beginning during the 2000–2004 taxable year period (de-  
23 termined without regard to the taxable year with the high-  
24 est adjusted taxable income in such period) plus 10 per-  
25 cent of such average.

1 “(d) QUALIFIED DOMESTIC ENERGY INVESTMENT.—

2 “(1) IN GENERAL.—For purposes of this chap-  
 3 ter, the term ‘qualified domestic energy investment’  
 4 means any amount paid or incurred with respect  
 5 to—

6 “(A) any qualified facility described in  
 7 paragraph (1), (2), (3), or (4) of section 45(d)  
 8 (determined without regard to any placed in  
 9 service date requirement under such section),  
 10 and

11 “(B) any facility for the production of al-  
 12 cohol used as a fuel (within the meaning of sec-  
 13 tion 40) or biodiesel or agri-biodiesel used as a  
 14 fuel (within the meaning of section 40A),  
 15 originally placed in service by the taxpayer after the  
 16 date of the enactment of this section and for which  
 17 no binding contract was entered into before such  
 18 date.

19 “(2) DENIAL OF DOUBLE BENEFIT.—No deduc-  
 20 tion or credit under this title shall be allowed for  
 21 that portion of the amount taken into account in de-  
 22 termining any qualified domestic energy investment  
 23 under this section.

1   **“SEC. 5898. SPECIAL RULES AND DEFINITIONS.**

2           “(a) WITHHOLDING AND DEPOSIT OF FEE.—The  
3   Secretary shall provide such rules as are necessary for the  
4   withholding and deposit of the fee imposed under section  
5   5896.

6           “(b) RECORDS AND INFORMATION.—Each taxpayer  
7   liable for the fee under section 5896 shall keep such  
8   records, make such returns, and furnish such information  
9   as the Secretary may by regulations prescribe.

10          “(c) RETURN OF FEE.—The Secretary shall provide  
11   for the filing and the time of such filing of the return of  
12   the fee imposed under section 5896.

13          “(d) CRUDE OIL.—The term ‘crude oil’ includes  
14   crude oil condensates and natural gasoline.

15          “(e) BUSINESSES UNDER COMMON CONTROL.—For  
16   purposes of this chapter, all members of the same con-  
17   trolled group of corporations (within the meaning of sec-  
18   tion 267(f)) and all persons under common control (within  
19   the meaning of section 52(b) but determined by treating  
20   an interest of more than 50 percent as a controlling inter-  
21   est) shall be treated as 1 person.

22          “(f) REGULATIONS.—The Secretary shall prescribe  
23   such regulations as may be necessary or appropriate to  
24   carry out the purposes of this chapter.”.

(b) CLERICAL AMENDMENT.—The table of chapters for subtitle E of the Internal Revenue Code of 1986 is amended by adding at the end the following new item:

“CHAPTER 56. TEMPORARY FEE ON EXCESS OIL PROFIT.”.

(c) DEDUCTIBILITY OF FEE.—The first sentence of section 164(a) of the Internal Revenue Code of 1986 (relating to deduction for taxes) is amended by inserting after paragraph (5) the following new paragraph:

“(6) The fee imposed by section 5896.”.

## **Subtitle B—Energy Fairness for America**

### **SEC. 211. ELIMINATION OF DEDUCTION FOR INTANGIBLE DRILLING AND DEVELOPMENT COSTS FOR MAJOR OIL COMPANIES.**

(a) IN GENERAL.—Section 263(c) of the Internal Revenue Code of 1986 is amended by adding at the end the following new sentences: “This subsection shall not apply during any taxable year with respect to an applicable taxpayer (as defined in section 5896(b)) if during the preceding taxable year for the production of oil, the average price of crude oil in the United States is greater than \$34.71 per barrel, and for the production of natural gas, the average wellhead price of natural gas in the United States is greater than \$4.34 per 1,000 cubic feet. For purposes of the preceding sentence, the Secretary shall determine average prices, taking into consideration the most

1 recent data reported by the Energy Information Adminis-  
 2 tration. For taxable years beginning after December 31,  
 3 2008, each dollar amount specified in this subsection shall  
 4 be adjusted to reflect changes for the 12-month period  
 5 ending the preceding September 30 in the Consumer Price  
 6 Index for All Urban Consumers published by the Bureau  
 7 of Labor Statistics of the Department of Labor.”

8 (b) EFFECTIVE DATE.—The amendment made by  
 9 this section shall apply to taxable years beginning after  
 10 the date of the enactment of this Act.

11 **SEC. 212. EXTENSION OF ELECTION TO EXPENSE CERTAIN**  
 12 **REFINERIES.**

13 (a) EXTENSION.—

14 (1) IN GENERAL.—Section 179C(c)(1) of the  
 15 Internal Revenue Code of 1986 (defining qualified  
 16 refinery property) is amended—

17 (A) by striking “and before January 1,  
 18 2012” in subparagraph (B) and inserting “and,  
 19 in the case of any qualified refinery described in  
 20 subsection (d)(1), before January 1, 2012”, and

21 (B) by inserting “if described in subsection  
 22 (d)(1)” after “of which” in subparagraph  
 23 (F)(i).

1           (2) CONFORMING AMENDMENT.—Subsection (d)  
 2           of section 179C of the Internal Revenue Code of  
 3           1986 is amended to read as follows:

4           “(d) QUALIFIED REFINERY.—For purposes of this  
 5           section, the term ‘qualified refinery’ means any refinery  
 6           located in the United States which is designed to serve  
 7           the primary purpose of processing liquid fuel from—

8           “(1) crude oil, or

9           “(2) qualified fuels (as defined in section  
 10          45K(c)).”.

11          (3) EFFECTIVE DATE.—The amendments made  
 12          by this subsection shall take effect as if included in  
 13          the amendment made by section 1323(a) of the En-  
 14          ergy Policy Act of 2005.

15          (b) NONAPPLICATION FOR MAJOR OIL COMPA-  
 16          NIES.—

17          (1) IN GENERAL.—Section 179C of the Internal  
 18          Revenue Code of 1986 is amended by adding at the  
 19          end the following new subsection:

20          “(i) NONAPPLICATION OF SECTION.—This section  
 21          shall not apply during any taxable year with respect to  
 22          an applicable taxpayer (as defined in section 5896(b)) if  
 23          during the preceding taxable year for the production of  
 24          oil, the average price of crude oil in the United States is  
 25          greater than \$34.71 per barrel. For purposes of the pre-



ceding sentence, the Secretary shall determine average prices, taking into consideration the most recent data reported by the Energy Information Administration. For taxable years beginning after December 31, 2008, the dollar amount specified in this paragraph shall be adjusted to reflect changes for the 12-month period ending the preceding September 30 in the Consumer Price Index for All Urban Consumers published by the Bureau of Labor Statistics of the Department of Labor.”.

(2) EFFECTIVE DATE.—The amendment made by this subsection shall apply to taxable years beginning after the date of the enactment of this Act.

**SEC. 213. ELIMINATION OF AMORTIZATION OF GEOLOGICAL AND GEOPHYSICAL EXPENDITURES FOR MAJOR OIL COMPANIES.**

(a) IN GENERAL.—Section 167(h) of the Internal Revenue Code of 1986 is amended by adding at the end the following new paragraph:

“(5) NONAPPLICATION OF SECTION.—This subsection shall not apply during any taxable year with respect to an applicable taxpayer (as defined in section 5896(b)) if during the preceding taxable year for the production of oil, the average price of crude oil in the United States is greater than \$34.71 per barrel, and for the production of natural gas, the av-

1        erage wellhead price of natural gas in the United  
 2        States is greater than \$4.34 per 1,000 cubic feet.  
 3        For purposes of the preceding sentence, the Sec-  
 4        retary shall determine average prices, taking into  
 5        consideration the most recent data reported by the  
 6        Energy Information Administration. For taxable  
 7        years beginning after December 31, 2008, each dol-  
 8        lar amount specified in this subparagraph shall be  
 9        adjusted to reflect changes for the 12-month period  
 10        ending the preceding September 30 in the Consumer  
 11        Price Index for All Urban Consumers published by  
 12        the Bureau of Labor Statistics of the Department of  
 13        Labor.”.

14        (b) EFFECTIVE DATE.—The amendments made by  
 15        this section shall take effect on and after the date of the  
 16        enactment of this Act.

17        **SEC. 214. MODIFICATIONS OF FOREIGN TAX CREDIT RULES**

18                        **APPLICABLE TO MAJOR OIL COMPANIES**

19                        **WHICH ARE DUAL CAPACITY TAXPAYERS.**

20        (a) IN GENERAL.—Section 901 of the Internal Rev-  
 21        enue Code of 1986 (relating to credit for taxes of foreign  
 22        countries and of possessions of the United States) is  
 23        amended by redesignating subsection (m) as (n) and by  
 24        inserting after subsection (l) the following new subsection:

1       “(m) SPECIAL RULES RELATING TO MAJOR OIL  
2 COMPANIES WHICH ARE DUAL CAPACITY TAXPAYERS.—

3           “(1) GENERAL RULE.—Notwithstanding any  
4 other provision of this chapter, any amount paid or  
5 accrued by a dual capacity taxpayer which is an ap-  
6 plicable taxpayer (as defined in section 5896(b)) to  
7 a foreign country or possession of the United States  
8 for any period shall not be considered a tax—

9           “(A) if, for such period, the foreign coun-  
10 try or possession does not impose a generally  
11 applicable income tax, or

12           “(B) to the extent such amount exceeds  
13 the amount (determined in accordance with reg-  
14 ulations) which—

15           “(i) is paid by such dual capacity tax-  
16 payer pursuant to the generally applicable  
17 income tax imposed by the country or pos-  
18 session, or

19           “(ii) would be paid if the generally ap-  
20 plicable income tax imposed by the country  
21 or possession were applicable to such dual  
22 capacity taxpayer.

23       Nothing in this paragraph shall be construed to  
24 imply the proper treatment of any such amount

1 not in excess of the amount determined under  
 2 subparagraph (B).

3 “(2) DUAL CAPACITY TAXPAYER.—For pur-  
 4 poses of this subsection, the term ‘dual capacity tax-  
 5 payer’ means, with respect to any foreign country or  
 6 possession of the United States, a person who—

7 “(A) is subject to a levy of such country or  
 8 possession, and

9 “(B) receives (or will receive) directly or  
 10 indirectly a specific economic benefit (as deter-  
 11 mined in accordance with regulations) from  
 12 such country or possession.

13 “(3) GENERALLY APPLICABLE INCOME TAX.—  
 14 For purposes of this subsection—

15 “(A) IN GENERAL.—The term ‘generally  
 16 applicable income tax’ means an income tax (or  
 17 a series of income taxes) which is generally im-  
 18 posed under the laws of a foreign country or  
 19 possession on income derived from the conduct  
 20 of a trade or business within such country or  
 21 possession.

22 “(B) EXCEPTIONS.—Such term shall not  
 23 include a tax unless it has substantial applica-  
 24 tion, by its terms and in practice, to—

1 “(i) persons who are not dual capacity  
2 taxpayers, and

3 “(ii) persons who are citizens or resi-  
4 dents of the foreign country or posses-  
5 sion.”.

6 (b) EFFECTIVE DATE.—

7 (1) IN GENERAL.—The amendments made by  
8 this section shall apply to taxes paid or accrued in  
9 taxable years beginning after the date of the enact-  
10 ment of this Act.

11 (2) CONTRARY TREATY OBLIGATIONS  
12 UPHELD.—The amendments made by this section  
13 shall not apply to the extent contrary to any treaty  
14 obligation of the United States.

15 **SEC. 215. DENIAL OF DEDUCTION FOR INCOME ATTRIB-**  
16 **UTABLE TO DOMESTIC PRODUCTION OF OIL,**  
17 **NATURAL GAS, OR PRIMARY PRODUCTS**  
18 **THEREOF.**

19 (a) IN GENERAL.—Subparagraph (B) of section  
20 199(c)(4) of the Internal Revenue Code of 1986 (relating  
21 to exceptions) is amended by striking “or” at the end of  
22 clause (ii), by striking the period at the end of clause (iii)  
23 and inserting “, or”, and by inserting after clause (iii) the  
24 following new clause:

1 “(iv) the sale, exchange, or other dis-  
 2 position of oil, natural gas, or any primary  
 3 product thereof.”.

4 (b) PRIMARY PRODUCT.—Section 199(c)(4)(B) of  
 5 such Code is amended by adding at the end the following  
 6 flush sentence:

7 “For purposes of clause (iv), the term ‘primary  
 8 product’ has the same meaning as when used in  
 9 section 927(a)(2)(C), as in effect before its re-  
 10 peal.”.

11 (c) CONFORMING AMENDMENTS.—Section 199(c)(4)  
 12 of such Code is amended—

13 (1) in subparagraph (A)(i)(III) by striking  
 14 “electricity, natural gas,” and inserting “electricity”,  
 15 and

16 (2) in subparagraph (B)(ii) by striking “elec-  
 17 tricity, natural gas,” and inserting “electricity”.

18 (d) EFFECTIVE DATE.—The amendments made by  
 19 this section shall apply to taxable years beginning after  
 20 December 31, 2007.

21 **SEC. 216. ELIMINATION OF ENHANCED OIL RECOVERY**

22 **CREDIT FOR MAJOR OIL COMPANIES.**

23 (a) IN GENERAL.—Section 43 of the Internal Rev-  
 24 enue Code of 1986 is amended by adding at the end the  
 25 following new subsection:

1       “(f) NONAPPLICATION OF SECTION.—This section  
 2 shall not apply during any taxable year with respect to  
 3 an applicable taxpayer (as defined in section 5896(b)) if  
 4 during the preceding taxable year for the production of  
 5 oil, the average price of crude oil in the United States is  
 6 greater than \$34.71 per barrel. For purposes of the pre-  
 7 ceding sentence, the Secretary shall determine average  
 8 prices, taking into consideration the most recent data re-  
 9 ported by the Energy Information Administration. For  
 10 taxable years beginning after December 31, 2008, the dol-  
 11 lar amount specified in this paragraph shall be adjusted  
 12 to reflect changes for the 12-month period ending the pre-  
 13 ceding September 30 in the Consumer Price Index for All  
 14 Urban Consumers published by the Bureau of Labor Sta-  
 15 tistics of the Department of Labor.”.

16       (b) EFFECTIVE DATE.—The amendment made by  
 17 this section shall apply to taxable years beginning after  
 18 the date of the enactment of this Act.

19 **Subtitle C—Protection and Reten-**  
 20 **tion of Value of Publicly-Owned**  
 21 **Energy Resources**

22 **SEC. 221. PRICE THRESHOLDS FOR ROYALTY SUSPENSION**  
 23 **PROVISIONS.**

24       The Secretary of the Interior shall agree to a request  
 25 by any lessee to amend any lease issued for any Central

1 and Western Gulf of Mexico tract during the period of  
 2 January 1, 1998, through December 31, 1999, to incor-  
 3 porate price thresholds applicable to royalty suspension  
 4 provisions, that are equal to or less than the price thresh-  
 5 olds described in clauses (v) through (vii) of section  
 6 8(a)(3)(C) of the Outer Continental Shelf Lands Act (43  
 7 U.S.C. 1337(a)(3)(C)). Any amended lease shall impose  
 8 the new or revised price thresholds effective October 1,  
 9 2006. Existing lease provisions shall prevail through Sep-  
 10 tember 30, 2006.

11 **SEC. 222. CLARIFICATION OF AUTHORITY TO IMPOSE**  
 12 **PRICE THRESHOLDS FOR CERTAIN LEASE**  
 13 **SALES.**

14 Congress reaffirms the authority of the Secretary of  
 15 the Interior under section 8(a)(1)(H) of the Outer Conti-  
 16 nental Shelf Lands Act (43 U.S.C. 1337(a)(1)(H)) to  
 17 vary, based on the price of production from a lease, the  
 18 suspension of royalties under any lease subject to section  
 19 304 of the Outer Continental Shelf Deep Water Royalty  
 20 Relief Act (Public Law 104–58; 43 U.S.C. 1337 note).

21 **SEC. 223. ELIGIBILITY FOR NEW LEASES AND THE TRANS-**  
 22 **FER OF LEASES; CONSERVATION OF RE-**  
 23 **SOURCES FEES.**

24 (a) ISSUANCE OF NEW LEASES.—



1           (1) IN GENERAL.—The Secretary shall not  
2           issue any new lease that authorizes the production  
3           of oil or natural gas in the Gulf of Mexico under the  
4           Outer Continental Shelf Lands Act (43 U.S.C. 1331  
5           et seq.) to a person described in paragraph (2) un-  
6           less—

7                   (A) the person has renegotiated each cov-  
8           ered lease with respect to which the person is  
9           a lessee, to modify the payment responsibilities  
10          of the person to include price thresholds that  
11          are equal to or less than the price thresholds  
12          described in clauses (v) through (vii) of section  
13          8(a)(3)(C) of the Outer Continental Shelf  
14          Lands Act (43 U.S.C. 1337(a)(3)(C)); or

15                  (B) the person has—

16                   (i) paid all fees established by the  
17           Secretary under subsection (b) that are  
18           due with respect to each covered lease for  
19           which the person is a lessee; or

20                   (ii) entered into an agreement with  
21           the Secretary under which the person is  
22           obligated to pay such fees.

23           (2) PERSONS DESCRIBED.—A person referred  
24           to in paragraph (1) is a person that—

25                  (A) is a lessee that—

1 (i) holds a covered lease on the date  
2 on which the Secretary considers the  
3 issuance of the new lease; or

4 (ii) was issued a covered lease before  
5 the date of enactment of this Act, but  
6 transferred the covered lease to another  
7 person or entity (including a subsidiary or  
8 affiliate of the lessee) after the date of en-  
9 actment of this Act; or

10 (B) any other person or entity who has  
11 any direct or indirect interest in, or who derives  
12 any benefit from, a covered lease;

13 (3) MULTIPLE LESSEES.—

14 (A) IN GENERAL.—For purposes of para-  
15 graph (1), if there are multiple lessees that own  
16 a share of a covered lease, the Secretary may  
17 implement separate agreements with any lessee  
18 with a share of the covered lease that modifies  
19 the payment responsibilities with respect to the  
20 share of the lessee to include price thresholds  
21 that are equal to or less than the price thresh-  
22 olds described in clauses (v) through (vii) of  
23 section 8(a)(3)(C) of the Outer Continental  
24 Shelf Lands Act (43 U.S.C. 1337(a)(3)(C)).

1 (B) TREATMENT OF SHARE AS COVERED  
 2 LEASE.—Beginning on the effective date of an  
 3 agreement under subparagraph (A), any share  
 4 subject to the agreement shall not constitute a  
 5 covered lease with respect to any lessees that  
 6 entered into the agreement.

7 (b) CONSERVATION OF RESOURCES FEES.—

8 (1) IN GENERAL.—Not later than 60 days after  
 9 the date of enactment of this Act, the Secretary of  
 10 the Interior by regulation shall establish—

11 (A) a conservation of resources fee for pro-  
 12 ducing Federal oil and gas leases in the Gulf of  
 13 Mexico; and

14 (B) a conservation of resources fee for  
 15 nonproducing Federal oil and gas leases in the  
 16 Gulf of Mexico.

17 (2) PRODUCING LEASE FEE TERMS.—The fee  
 18 under paragraph (1)(A)—

19 (A) subject to subparagraph (C), shall  
 20 apply to covered leases that are producing  
 21 leases;

22 (B) shall be set at \$9 per barrel for oil and  
 23 \$1.25 per million Btu for gas, respectively, in  
 24 2005 dollars; and

1 (C) shall apply only to production of oil or  
2 gas occurring—

3 (i) in any calendar year in which the  
4 arithmetic average of the daily closing  
5 prices for light sweet crude oil on the New  
6 York Mercantile Exchange (NYMEX) ex-  
7 ceeds \$34.73 per barrel for oil and \$4.34  
8 per million Btu for gas in 2005 dollars;  
9 and

10 (ii) on or after October 1, 2006.

11 (3) NONPRODUCING LEASE FEE TERMS.—The  
12 fee under paragraph (1)(B)—

13 (A) subject to subparagraph (C), shall  
14 apply to leases that are nonproducing leases;

15 (B) shall be set at \$3.75 per acre per year  
16 in 2005 dollars; and

17 (C) shall apply on and after October 1,  
18 2006.

19 (4) TREATMENT OF RECEIPTS.—Amounts re-  
20 ceived by the United States as fees under this sub-  
21 section shall be treated as offsetting receipts.

22 (c) TRANSFERS.—A lessee or any other person who  
23 has any direct or indirect interest in, or who derives a  
24 benefit from, a lease shall not be eligible to obtain by sale  
25 or other transfer (including through a swap, spinoff, serv-

1 icing, or other agreement) any covered lease, the economic  
2 benefit of any covered lease, or any other lease for the  
3 production of oil or natural gas in the Gulf of Mexico  
4 under the Outer Continental Shelf Lands Act (43 U.S.C.  
5 1331 et seq.), unless—

6 (1) the lessee or other person has—

7 (A) renegotiated all covered leases of the  
8 lessee or other person; and

9 (B) entered into an agreement with the  
10 Secretary to modify the terms of all covered  
11 leases of the lessee or other person to include  
12 limitations on royalty relief based on market  
13 prices that are equal to or less than the price  
14 thresholds described in clauses (v) through (vii)  
15 of section 8(a)(3)(C) of the Outer Continental  
16 Shelf Lands Act (43 U.S.C. 1337(a)(3)(C)); or

17 (2) the lessee or other person has—

18 (A) paid all fees established by the Sec-  
19 retary under subsection (b) that are due with  
20 respect to each covered lease for which the per-  
21 son is a lessee; or

22 (B) entered into an agreement with the  
23 Secretary under which the person is obligated  
24 to pay such fees.

25 (d) DEFINITIONS.—In this section—

1           (1) COVERED LEASE.—The term “covered  
2 lease” means a lease for oil or gas production in the  
3 Gulf of Mexico that is—

4                   (A) in existence on the date of enactment  
5 of this Act;

6                   (B) issued by the Department of the Inte-  
7 rior under section 304 of the Outer Continental  
8 Shelf Deep Water Royalty Relief Act (43  
9 U.S.C. 1337 note; Public Law 104–58); and

10                  (C) not subject to limitations on royalty re-  
11 lief based on market price that are equal to or  
12 less than the price thresholds described in  
13 clauses (v) through (vii) of section 8(a)(3)(C) of  
14 the Outer Continental Shelf Lands Act (43  
15 U.S.C. 1337(a)(3)(C)).

16           (2) LESSEE.—The term “lessee” includes any  
17 person or other entity that controls, is controlled by,  
18 or is in or under common control with, a lessee.

19           (3) SECRETARY.—The term “Secretary” means  
20 the Secretary of the Interior.

1 **SEC. 224. REPEAL OF CERTAIN TAXPAYER SUBSIDIZED**  
2 **ROYALTY RELIEF FOR THE OIL AND GAS IN-**  
3 **DUSTRY.**

4 (a) REPEAL OF PROVISIONS OF ENERGY POLICY ACT  
5 OF 2005.—The following provisions of the Energy Policy  
6 Act of 2005 (Public Law 109–58) are repealed:

7 (1) Section 344 (42 U.S.C. 15904; relating to  
8 incentives for natural gas production from deep wells  
9 in shallow waters of the Gulf of Mexico).

10 (2) Section 345 (42 U.S.C. 15905; relating to  
11 royalty relief for deep water production in the Gulf  
12 of Mexico).

13 (3) Subsection (i) of section 365 (42 U.S.C.  
14 15924; relating to the prohibition on drilling-related  
15 permit application cost recovery fees).

16 (b) PROVISIONS RELATING TO PLANNING AREAS  
17 OFFSHORE ALASKA.—Section 8(a)(3)(B) of the Outer  
18 Continental Shelf Lands Act (43 U.S.C. 1337(a)(3)(B))  
19 is amended by striking “and in the Planning Areas off-  
20 shore Alaska” after “West longitude”.

21 (c) PROVISIONS RELATING TO NAVAL PETROLEUM  
22 RESERVE IN ALASKA.—Section 107 of the Naval Petro-  
23 leum Reserves Production Act of 1976 (as transferred, re-  
24 designated, moved, and amended by section 347 of the En-  
25 ergy Policy Act of 2005 (119 Stat. 704)) is amended—

1 (1) in subsection (i) by striking paragraphs (2)  
 2 through (6); and  
 3 (2) by striking subsection (k).

## 4 **Subtitle D—Reduction in** 5 **Incentives to Guzzle Gas**

### 6 **SEC. 231. REDUCING INCENTIVES TO GUZZLE GAS.**

7 (a) INCLUSION OF HEAVY VEHICLES IN LIMITATION  
 8 ON DEPRECIATION OF CERTAIN LUXURY AUTO-  
 9 MOBILES.—

10 (1) IN GENERAL.—Section 280F(d)(5)(A) of  
 11 the Internal Revenue Code of 1986 (defining pas-  
 12 senger automobile) is amended—

13 (A) by striking clause (ii) and inserting the  
 14 following new clause:

15 “(ii)(I) which is rated at 6,000  
 16 pounds unloaded gross vehicle weight or  
 17 less, or

18 “(II) which is rated at more than  
 19 6,000 pounds but not more than 14,000  
 20 pounds gross vehicle weight.”, and

21 (B) by striking “clause (ii)” in the second  
 22 sentence and inserting “clause (ii)(I)”.

23 (2) EXCEPTION FOR VEHICLES USED IN FARM-  
 24 ING BUSINESS.—Section 280F(d)(5)(B) of such  
 25 Code (relating to exception for certain vehicles) is



1 amended by striking “and” at the end of clause (ii),  
 2 by redesignating clause (iii) as clause (iv), and by in-  
 3 serting after clause (ii) the following new clause:

4 “(iii) any vehicle used in a farming  
 5 business (as defined in section 263A(e)(4),  
 6 and”.

7 (3) EFFECTIVE DATE.—The amendments made  
 8 by this subsection shall apply to property placed in  
 9 service after the date of the enactment of this Act.

10 (b) UPDATED DEPRECIATION DEDUCTION LIMITS.—

11 (1) IN GENERAL.—Subparagraph (A) of section  
 12 280F(a)(1) of the Internal Revenue Code of 1986  
 13 (relating to limitation on amount of depreciation for  
 14 luxury automobiles) is amended to read as follows:

15 “(I) LIMITATION.—The amount of the de-  
 16 preciation deduction for any taxable year shall  
 17 not exceed for any passenger automobile—

18 “(i) for the 1st taxable year in the re-  
 19 covery period—

20 “(I) described in subsection  
 21 (d)(5)(A)(ii)(I), \$4,000,

22 “(II) described in the second sen-  
 23 tence of subsection (d)(5)(A), \$5,000,  
 24 and

1 “(III) described in subsection  
2 (d)(5)(A)(ii)(II), \$6,000,

3 “(ii) for the 2nd taxable year in the  
4 recovery period—

5 “(I) described in subsection  
6 (d)(5)(A)(ii)(I), \$6,400,

7 “(II) described in the second sen-  
8 tence of subsection (d)(5)(A), \$8,000,  
9 and

10 “(III) described in subsection  
11 (d)(5)(A)(ii)(II), \$9,600,

12 “(iii) for the 3rd taxable year in the  
13 recovery period—

14 “(I) described in subsection  
15 (d)(5)(A)(ii)(I), \$3,850,

16 “(II) described in the second sen-  
17 tence of subsection (d)(5)(A), \$4,800,  
18 and

19 “(III) described in subsection  
20 (d)(5)(A)(ii)(II), \$5,775, and

21 “(iv) for each succeeding taxable year  
22 in the recovery period—

23 “(I) described in subsection  
24 (d)(5)(A)(ii)(I), \$2,325,

1 “(II) described in the second sen-  
 2 tence of subsection (d)(5)(A), \$2,900,  
 3 and

4 “(III) described in subsection  
 5 (d)(5)(A)(ii)(II), \$3,475.”.

6 (2) YEARS AFTER RECOVERY PERIOD.—Section  
 7 280F(a)(1)(B)(ii) of such Code is amended to read  
 8 as follows:

9 “(ii) LIMITATION.—The amount treat-  
 10 ed as an expense under clause (i) for any  
 11 taxable year shall not exceed for any pas-  
 12 senger automobile—

13 “(I) described in subsection  
 14 (d)(5)(A)(ii)(I), \$2,325,

15 “(II) described in the second sen-  
 16 tence of subsection (d)(5)(A), \$2,900,  
 17 and

18 “(III) described in subsection  
 19 (d)(5)(A)(ii)(II), \$3,475.”.

20 (3) INFLATION ADJUSTMENT.—Section  
 21 280F(d)(7) of such Code (relating to automobile  
 22 price inflation adjustment) is amended—

23 (A) by striking “after 1988” in subpara-  
 24 graph (A) and inserting “after 2007”, and

(B) by striking subparagraph (B) and inserting the following new subparagraph:

“(B) AUTOMOBILE PRICE INFLATION ADJUSTMENT.—For purposes of this paragraph—

“(i) IN GENERAL.—The automobile price inflation adjustment for any calendar year is the percentage (if any) by which—

“(I) the average wage index for the preceding calendar year, exceeds

“(II) the average wage index for 2006.

“(ii) AVERAGE WAGE INDEX.—The term ‘average wage index’ means the average wage index published by the Social Security Administration.”.

(4) EFFECTIVE DATE.—The amendments made by this subsection shall apply to property placed in service after the date of the enactment of this Act.

(c) EXPENSING LIMITATION FOR FARM VEHICLES.—

(1) IN GENERAL.—Paragraph (6) of section 179(b) of the Internal Revenue Code of 1986 (relating to limitations) is amended to read as follows:

“(6) LIMITATION ON COST TAKEN INTO ACCOUNT FOR FARM VEHICLES.—The cost of any vehicle described in section 280F(d)(5)(B)(iii) for any

1 taxable year which may be taken into account under  
2 this section shall not exceed \$30,000.”.

3 (2) EFFECTIVE DATE.—The amendment made  
4 by this subsection shall apply to property placed in  
5 service after the date of the enactment of this Act.

○